Presentation to the Commission to Study Medicaid Expansion

New Hampshire Insurance Department
July 30, 2013

New Hampshire Insurance Department
Presentation Overview

- Insurance Department role and resources
- Overview of NH health insurance markets
- Factors in insurance company competition
- Cost drivers and rate analysis
- 2014 health insurance changes
- Medicaid expansion implications

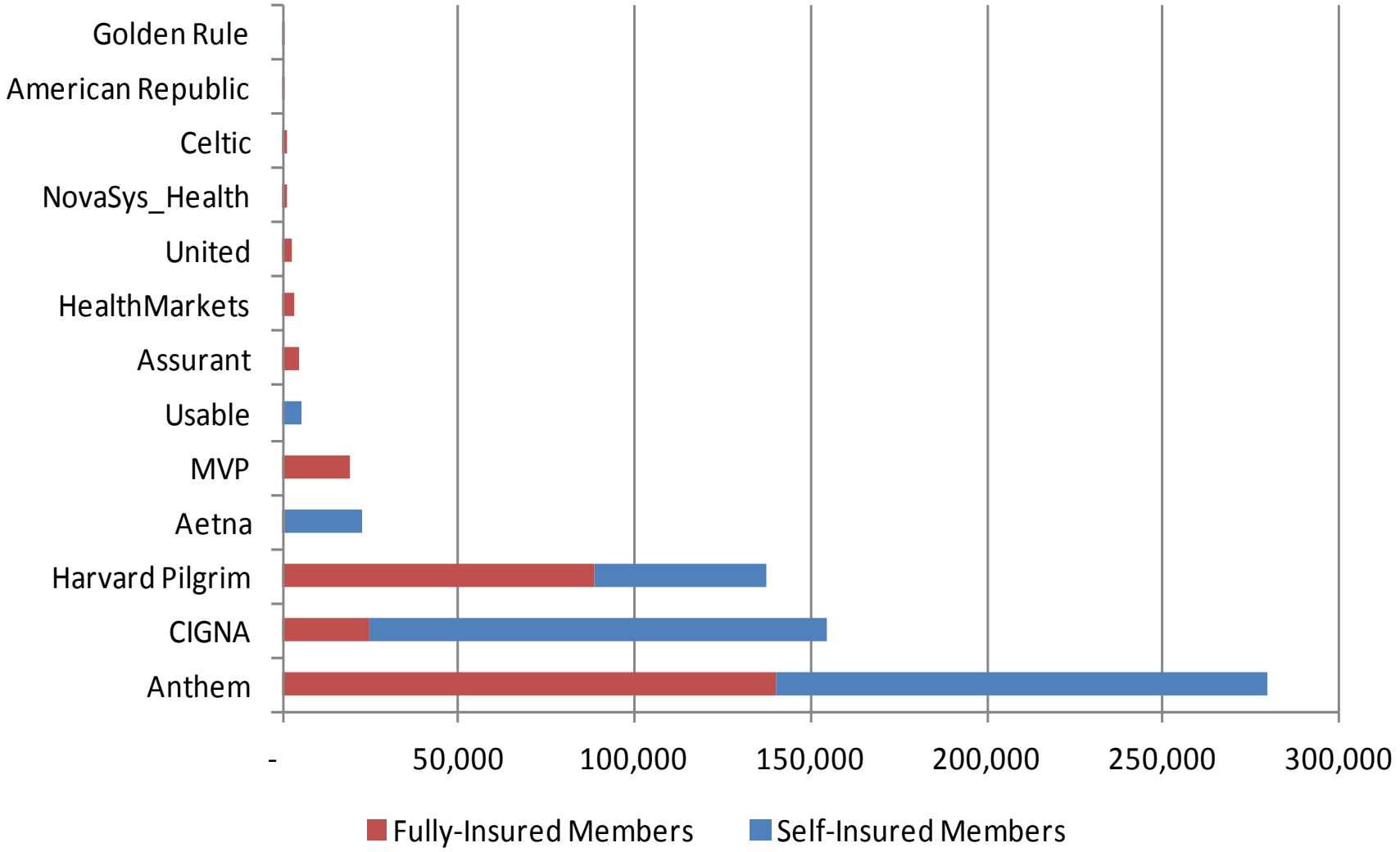
New Hampshire Insurance Department
Health Policy Resources

- NH Comprehensive Health Information System (NHCHIS)
  - Detailed claims data
- NH Supplemental Report - annual
- Rate review filings
- Special data requests (annual hearing report)
- National survey data
- Other financial filings

NH's Health Insurance Markets

- About 55% of "insured" people covered by self-funded employers
- 76% of people covered by large employers
  - Of those people, 29% are regulated as insured (140,000)
- 24% of people in small employers or individual products
  - 110,000 small employer member
  - 40,000 individual members

Health Insurance Carrier/TPA Member Distribution by Funding



Competition in Health Insurance Markets

Health insurance is different from other insurance or products - why?

- Too many companies can result in higher premiums
- Buyers plan to use their insurance
- Benefit design impacts use of coverage
- Concentrated bargaining power
  - Health care providers
  - Insurance companies

Factors in Insurance Company Competition

Main Factors:

- Medical claims costs
  - Provider contracts
- Insured population health status

  - Other Factors:
    - Membership
      - Underwritten & self-funded
    - Organizational efficiency
    - Return on Investments
    - Customer service

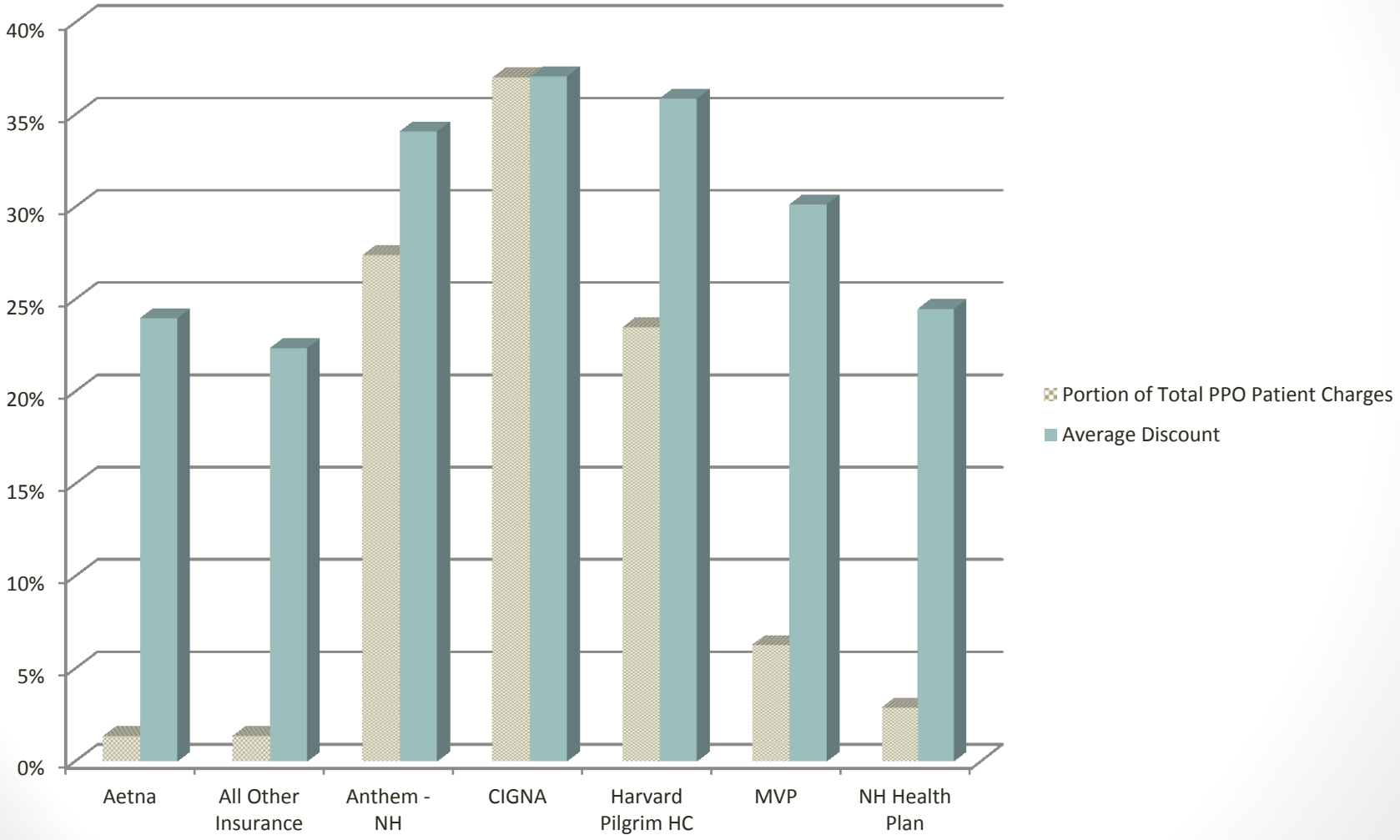
Provider Discounts – What are they?

- Health care providers develop charges for medical services
  - Charges may be extremely specific or by procedure
    - Medication, surgical supplies, laboratory services
    - Incisions, excisions, endoscopies
- Health insurance companies and health care providers negotiate payment rates
  - Payment rates may be based on a discount from charges, procedure, or an alternative reimbursement method, such as per diems or per case
  - Patient cost sharing is dependent on the negotiated rate

The significance of discounts…

- Two carriers have similar insured populations, the same premiums, and a ninety percent loss ratios, but:
  - Carrier RED obtains an average provider discount equal to 31 percent
  - Carrier GREEN obtains a 34 percent discount
- Result = the administrative cost portion of the premium would need to be forty percent less for carrier RED to be competitive with GREEN

Provider Discounts and Market Share for PPO Products in New Hampshire



Source: NHCHIS CY2011

Population Health Status

- Population health status has a dramatic impact on health insurance premiums
  - The reason for age/gender or population based risk adjustment
- Health status is influenced by many factors, including: environment, genetics, diet, demographics, educational background, access to medical care, and behaviors
- Health status is correlated with socioeconomic status
  - Expanding Medicaid may improve the average health status in the commercial insurance risk pool

New Hampshire-specific
Medical Care Cost Analysis

- Annual premium rate review hearings
- Supplemental report
- Analysis of delivery system costs
- Cost shifting

Health Insurance Premiums

- Recent Trends
  - 2011 increase = 4%
    - 2011 benefit reduction = 5%
  - 2010 increase = 3%
    - 2010 benefit reduction = 10%

Medical Costs Drive Premiums

- Medical cost trend includes price, utilization, and service mix changes
- Overall 2011 trend equal to 3%
  - Down from 9-11% in 2009
- Utilization decrease of 2% in 2010 and 2011
- Payments to providers increased 5% in 2010 and 2011

How might Medicaid expansion affect provider revenue?

- Actual provider revenues depend on patient cost sharing
  - In 2011, 30% of the individual market had a deductible of at least $5,000. Even more had coinsurance >=20%
  - Many hospitals write off any payment liabilities from patients earning less than 200% FPL
  - A Medicaid expansion would decrease the number of self-pay patients and reduce collection efforts

Delivery System Costs

- Majority of hospital costs are fixed
  - At 57 percent of total expenses, personnel costs represent the largest single category of hospital costs
- The health care system can treat covered patients with high cost sharing or lower reimbursement rates in lower-cost settings
  - an example of the free market at work
- Excess capacity vs. the marginal cost and new revenues
  - A Medicaid expansion could help providers cover their fixed costs

Network Adequacy and Delivery System Capacity

- RSA 420-J:7 Network Adequacy (Ins 2700)
- What is happening in the delivery system?
  - Investment in Community Health Centers
  - Increased use of mid-level providers (NPs, PAs), health coaches, and community health workers
  - Telemedicine
  - Hospitalists
  - Urgent care centers and walk in clinics
  - Accountable Care Organizations and medical homes
  - Hospital services provided in non-traditional settings
  - Incentives exist for restructuring the delivery system with a lower cost structure

What About Cost Shifting ?

- Research commissioned by the Department did not show an association between Medicaid patient volume and higher commercially insured rates at particular hospitals

- Lower outpatient commercial prices were associated with a higher percent of:
  - Medicaid inpatient days
  - Medicaid inpatient discharges

- Higher inpatient commercial prices were associated with:
  - Occupancy rate
  - Hospital cost per commercial discharge
  - Medicare percent of inpatient charges
  - Casemix index for commercial discharges and for all discharges

2014 Changes to Insurance

- Individual mandate
- New rules for individual and small group market
  - Essential health benefits
  - New rating factors for calculating premiums
  - Metal levels
- "The Marketplace" (or Exchange)
- Subsidies for individuals
- Employer coverage in 2014 and after

The Individual Mandate

- As of 2014, every individual must have health insurance coverage or pay a penalty.
  - Coverage includes employer coverage, individual major medical coverage, Medicaid, Medicare.
  - Limited exemptions to penalty requirement (e.g., low income)
- Administered and enforced by IRS
- Penalty amount:
  - 2014: $95 per household member (up to $285) or 1% of income (whichever is higher).
  - 2015: $325 per household member (up to $975) or 2% of income (whichever is higher).
  - 2016: $695 per household member (up to $2095) or 2.5% of income (whichever is higher)
  - After 2016 – cost of living adjustments
- Goals:
  - Get everyone covered
  - Improve stability of insurance risk pool

Individual & Small Group Markets - Essential Health Benefits

The ACA requires coverage of services in 10 categories:

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity & newborn care
5. Mental health and substance abuse disorder services, incl. behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services
8. Laboratory services
9. Preventative and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

Individual & Small Group Markets - Essential Health Benefits, cont.

- All plans in the individual and small group markets must cover the Essential Health Benefits (EHBs).
- Matthew Thornton Blue chosen as NH's EHB benchmark.
- Medicaid must cover the same ten services, but has a different benchmark.

Individual & Small Group Markets - Metal Levels

- Metal levels are a way of establishing uniformity so consumers can understand the relationship between premium levels and cost sharing.

- There are four metal levels, each reflecting a different actuarial value covered by the plan:
  - **Platinum**: covers 90% of the cost of services
  - **Gold**: covers 80% of the cost of services
  - **Silver**: covers 70% of the cost of services
  - **Bronze**: covers 60% of the cost of services

- All plans cover the same services (EHBs).

Individual & Small Group Markets - New Rating Factors

- Current allowable factors – **individual** market:
  - Attained Age at 4:1
  - Health Status at 1.5:1
  - Tobacco Use at 1.5:1
  - Membership Tier (e.g. family plan)
- Current allowable factors – **small group** market:
  - Attained Age (specified age brackets)
  - Group Size
  - Industry
    - Overall 3.5:1 limitation on above 3 factors
  - Membership Tier
- Allowable factors for both as of 1/1/14:
  - Attained Age (specified scale) at 3:1
  - Tobacco Use at 1.5:1
  - Membership Tier
    - Member Developed Rates
  - [Geographic Rating – single area for NH]

Implications of Individual and Small Group Market Changes

- Individual market looks more like current small group market.
- High Risk Pool no longer needed, because all individuals are guaranteed coverage in the individual market.

What is the Health Marketplace?

- The Health Benefit Marketplace, also known as the Exchange, is an **online marketplace** where individuals will be able to purchase health insurance.
- Low and moderate-income people using the Marketplace will be able to obtain **payment assistance** to help them buy health insurance.
  - Some may also get **reductions** on deductibles and other cost-sharing.
  - People can also use the Marketplace to **enroll in Medicaid**.

The Health Marketplace, cont.

- Small businesses will be able to use a separate marketplace called the **SHOP exchange** to provide health insurance to employees and to see if the business qualifies for a **small business tax credit**.
- The Marketplace and SHOP will be open for enrollment in health plans beginning **October 1, 2013**.
  - The coverage will take effect beginning **January 1, 2014**.

New Hampshire's Marketplace

- New Hampshire's Marketplace will be constructed and operated by the federal government (CMS/CCIIO) in accordance with federal standards.
- Under NH's partnership model, the state will operate some specific functions that are related to traditional state roles.
- The individual and small group markets outside the Marketplace continue to exist.

NH Health Insurance Marketplace – With Partnership

Federal Marketplace Functions

The Marketplace set up by the federal government will perform the following tasks:

- **Maintain a website** to provide plan information and options in a standardized format.
- Operate a **toll-free hotline**.
- Administer the **tax credit** and transfer to the Treasury and employers a list of eligible employees.
- Make available a **calculator** to determine actual cost of coverage after subsidies.
- Administer the individual responsibility **mandate.**
- Establish a **Navigator** program that provides grants to entities that assist consumers

The federal government will also set up the **SHOP** Exchange for small employers

Plan Management

- **State role:**
  - Qualified Health Plan certification, including licensure and good standing, Essential Health Benefits, meaningful difference review
  - Collection and analysis of plan rate and benefit package information
  - Ongoing issuer oversight
  - Plan monitoring, oversight, data collection and analysis for quality
  - Assist consumers who have complaints about carriers or plans.

Consumer Assistance

- **Potential State roles include:**
  - State-specific outreach and education
  - Oversee conduct of Navigators
  - Possible supplemental in-person assistance program
- Federal role:
  - Call center operations
  - Website management
  - Written correspondence with consumers on eligibility/enrollment
  - Selection of Navigators

NH DHHS will continue to operate the state Medicaid program, including an interface with the Marketplace.

Plan Management

- The **plan management function** is well underway, with the state set to recommend to CCIIO by July 31, 2013 which health plans qualify for sale on the Marketplace (QHPs).
  - The deadline for filing 2014 Marketplace plans has passed, so participation by Medicaid MCOs would not start before 2015.
  - There will be more than one QHP offered; each carrier must offer at least two plans (gold and silver).

Subsidy Availability

- Substantial subsidies are available through the Marketplace for those at 100%-400% of federal poverty (FPL).
  - Premiums: sliding scale based on income and actual premiums for 2nd lowest cost silver plan
  - Cost-sharing assistance: must buy silver plan
  - http://kff.org/interactive/subsidy-calculator/
- Those under 100% FPL are not eligible for subsidies; the ACA's drafters presumed the Medicaid expansion would be mandatory.
- **THE CHASM**: Without the Medicaid expansion, those who aren't currently eligible for Medicaid will have **no** access to coverage or subsidies.

Employer Coverage

- People with access to employer coverage **cannot receive a subsidy** on the Marketplace unless the coverage is **unaffordable** or **insufficient**.
- Small employers (under 50 employees)
  - No penalty for not offering coverage
  - May get tax credit if use SHOP Exchange
- Large employers (50 or more employees)
  - Penalties starting in 2015 for
    - Not offering coverage ($2K per employee)
    - Offering unaffordable or insufficient coverage ($3K per employee receiving subsidy)
  - No penalty for employees that qualify for Medicaid.

Possible Effect of Delay in Employer Penalties

- Whether employers offer coverage is not driven solely by employer mandate – competition for good employees, etc.
- New Hampshire has the highest rate of employer-based coverage in the U.S., and the rate will likely stay high.
- Anti-discrimination provisions prohibit employers from "dumping" people into Medicaid; any coverage offered must be the same for all eligible (e.g. full-time) workers
- Medicaid expansion would help employers avoid paying penalties for low-income workers.

Insurance Department's Letter on Medicaid Expansion

On March 22, 2013, Commissioner Sevigny wrote a letter to the House Finance Committee offering the Department's perspective on Medicaid expansion. Main points in the letter:

- Without the Medicaid expansion, there will be a coverage chasm for those below 100% of FPL.

- Employer-sponsored coverage for people below 138% FPL is unlikely to be affordable to them, or to allow providers to be fully compensated, without some form of cost-sharing subsidy.

Insurance Department's letter, cont.

- Expanding Medicaid would remove from the commercial market some high-risk individuals with unpredictable medical needs, while still offering them coverage.
- Broadening the availability of health coverage would promote more efficient use of health care resources.
- Expanding Medicaid would help employers avoid penalties for not offering coverage.

Link to letter:
http://www.nh.gov/insurance/consumers/documents/nhd_fhr-meltr_03.22.13.pdf

Market Benefits of NH DHHS Expansion Model

- The move to managed care is a move in the free market direction.
  - Predictability of covered population allows shifts to lower cost providers and settings
  - MCOs are fully licensed as HMOs – could offer QHPs in 2015 or beyond
  - Possible ability to create more continuity for people transitioning between Medicaid and private coverage
- HIPP proposal also uses market forces
  - Supports people staying on employer coverage, at commercial rates
  - Addresses problems with cost-sharing

Your Presenters

- Alex Feldvebel – Deputy Commissioner
- Tyler Brannen – Health Policy Analyst
- Jennifer Patterson – Life and Health Legal Counsel